



The City of Long Beach

BEVERLY O'NEILL, MAYOR

August 15, 2003

Honorable Members of the City Council
City of Long Beach, California

SUBJECT: **2003-2004 Resource Allocation Plan Transmittal**

Dear Colleagues:

I am transmitting to you the City of Long Beach Budget for Fiscal Year 2003-2004. This budget package includes the City Manager Proposed Resource Allocation Plan and my budget recommendations.

The budget for Fiscal Year 2003-2004 reflects one of the most challenging that our city has ever faced, but one that also addresses our structural deficit in a pro-active and aggressive fashion. Our City continues to suffer from a reduction in utility taxes, homeland security costs and the continuing travesty of the State budget crisis.

The major difference between our present budget situation and that of the State is that we have a three-year plan and a direction to bring us out of our budget woes while the State continues to attempt to deal with its problems one year at a time. One year ago I discussed the need to create the three-year strategic plan that addressed the reductions that must take place while preserving the programs and services that our citizens deem the most necessary.

Through a determined effort by City staff to reduce approved departmental budgets in 2002-2003, we were planning on a \$12 million carryover from this year that is available for the 2003-2004 budget year. Unfortunately, the new State budget that takes away up to 10.5 million, negates that carryover, and reinforces the local impact of decisions made in Sacramento. We are going to have to work even harder in the future to insulate ourselves from capricious budget decisions made in Sacramento.

We are entering a new era of budgeting, one that must no longer depend upon one-time revenue spikes to solve our budget shortfalls. The Three-Year Plan is an important step in this process and City Manager Gerald Miller and his staff are to be commended for many hours of work that included, not only the Voice Your Choice survey, but also reviewing hundreds of budget ideas that came from dozens of community meetings, employees and the Budget Advisory Committee.

The City Council is also to be commended for approving the Three-Year Plan and ushering in a strategic way of looking at municipal budgets. We need to look at each year's budget with a much different attitude from previous years. Business as usual no longer works. Our Three-Year

Plan establishes a strategic path out of our structural deficit. It is imperative that we establish fiscal policies and specific performance measures to help us to follow its course to the conclusion we are all striving for. This is the first year of our plan and there still remains uncertainty at the State level. We need to be diligent in the plan we started last summer and stay on course.

Long Beach has much to look forward to in terms of residential growth, the continued increase in sales tax revenue, and the impending opening this fall of the Pike at Rainbow Harbor. Our City is one of immense potential, an unmatched quality of life for its residents, and an unlimited future of promise that few if any community in Southern California can match.

STATE FUNDING

In stark contrast, the State of California's budgeting practice defies reason. It is the antithesis of the City of Long Beach's approach, and is being finalized in what has become a yearly ritual of bureaucratic stagnation and political gamesmanship. This clear lack of fiscal leadership has resulted in an over \$1.2 billion impact to local governments this year, equating to an estimated additional hit to our City of \$10 million. All forecasts indicate that these State raids will continue, with even more draconian takeaways expected next year.

Local governments are the direct providers of public services for the constituents in our State. We collect the trash, pave the streets and fix the potholes, operate the street lights, provide clean water and sewer systems, provide all law enforcement, fire and public safety services, as well as provide parks, libraries and a multitude of other services that assist businesses, neighborhoods, and individuals. We estimate we have lost approximately \$15 million per year since 1993, or a cumulative total of \$165 million in the last 10 years, to the State in ERAF shifts. The current hit of approximately \$10 million, for example, almost equals the total annual budget (\$11 million) of Long Beach's library system. We need to be able to reliably plan our budgets and the services delivered, based on known, protected revenue sources. We can no longer function at the mercy of the State of California, and ***we will be working with the League of California Cities to find ways to protect City funds from future State raids.***

SIGNIFICANT CHALLENGES

➤ **SKYROCKETING BENEFIT COSTS**

One of the most alarming fiscal challenges facing the City are skyrocketing benefit costs, including Workers' Compensation, General Liability, Health and Other Benefit Costs. Workers' Compensation costs have increased an astronomical 88.5% from 1999 to 2003. As a result, we wholeheartedly support the City Manager's comprehensive review of the City's Workers' Compensation, Risk Managements and Occupational Health programs. Health and other benefit costs have also seen dramatic increases, up \$4.8 million in FY04. And, the PERS hit to the General Fund in FY05 is projected to be \$30 million. To put this in perspective, the per-employee cost of Health benefits is anticipated to increase almost 25% for FY04 compared to FY03. ***Clearly, in order for the City to address our financial challenges and stay fiscally solvent, employee benefit costs cannot continue to be borne totally by the City.***

➤ **HOMELAND SECURITY**

As a waterfront community, and as home to the largest port complex in the country, the protection of our waterfront "border" has become a critical priority. We have an active municipal airport and many important public assets that must be protected. And, most importantly, those who live, work and visit the City of Long Beach need to have the confidence that we have done all we can to make our city safe and prepared to respond in the event of an emergency.

We commend city, public safety, port, water, health, and airport officials in their diligent efforts in advocating for resources and for establishing strong federal, state and regional collaborations to enhance our Homeland Security needs. ***We must continue to consistently advocate federal and state agencies for additional funds, to pay for critical security systems and support to ensure the safety of our City.***

We have received some assistance, however, the needs continue to be significant. Our police, fire and emergency medical teams are the first responders in the event of any emergency. Direct, flexible and sufficient funding is needed now, and directed to local government where the services are provided, not through state bureaucracies. Funding is also needed for overtime costs, which is greatly impacted when the federal alert levels are raised.

➤ **EMERGENCY RESERVES**

The City Council has wisely maintained an Emergency Reserve that now totals \$35 million. City Council policy mandates that we maintain this reserve at 10% of the General Fund budget. Our high credit rating has in part resulted from our maintenance of this reserve at current levels, and this must continue. As stated in last year's budget recommendations, ***I continue to be vehemently opposed to the use of Emergency Reserves as a one-time budget balancing mechanism. I recommend that the City Council include this position in our Fiscal Policies.***

A DECADE OF WORK YIELDS RESULTS

Even with the burden of dealing with our budget issues we should not lose sight of the remarkable progress that we have made in recent years. No community in Southern California can match us for the breadth of our renaissance or for the extraordinary diversification of our economy that has taken place.

Over one billion dollars has been privately invested in constructing 3,000 residential units along our shoreline. These developments, including Ocean Villas, The Park at Harbor View, Meridian, and the two Anatasi buildings are changing our urban landscape and will add, not only a renewed vitality to our downtown, but also additional business for our restaurants and service providers. In addition, residential units are being added at the Insurance Exchange building, CityPlace, Masonic Temple and Broadway Lofts.

This addition to Long Beach's residential component will fuel future property tax growth that has increased 13 per cent since 2001.

Over \$750 million in building permits have been issued over the past two years for either improvements to, or new construction of, residential or commercial buildings. Private investment in our community is vital to our future growth, and also an excellent form of measuring how we rate with private developers and financial institutions.

With the opening of new and renovated retail centers such as Towne Center, Marina Pacifica, Los Altos Gateway, Town Square, Wrigley Marketplace and Marina Shores, sales tax revenues have increased 75% since 1994, which emphasizes that more shopping dollars are now staying in Long Beach.

During next summer, Long Beach will be center of the swimming world as we host the Janet Evans Swim Invitational, Women and Men's Water Polo World League Super Finals and finally, the USA Olympic Swim Trials. Next December, the City will host the NCAA Women's Volleyball Finals. These combined events will generate over 24,000 room nights in Long Beach and an economic impact of \$20 million.

The Home Depot Sports Center in Carson will also help to contribute economic impact to Long Beach. This year's upcoming Federation Internationale de Football Association (FIFA) Women's Cup will be attracting thousands of visitors to our community and to our hotels, restaurants and other tourist attractions.

FIFA has chosen Long Beach as its headquarters for the month-long event. As the Home Depot Center continues to bid on major sporting events, our community can expect to benefit due to the quality and location of our hotels.

Visitors will also be drawn to the Pike at Rainbow Harbor, which will complete the development of Queensway Bay that was envisioned several years ago, and enhance our community's reputation as the most dynamic waterfront in Southern California.

With the arrival of Carnival Cruises earlier this year and the nationwide connection to Long Beach provided by Jet Blue, Long Beach has expanded its tourism reach which will be reflected in future sales and transit occupancy tax revenue levels. Many of these visitors will be seeing Long Beach for the first time enhancing our national reputation.

The tough decisions that we must make over the next few months will determine how well we withstand the affects of the State budget crisis. We must never lose sight of our overall ambition to make Long Beach one of the most financially stable and distinctive communities in America.

LAST YEAR'S CALL TO ACTION

In last year's budget recommendations for 2002-2003, we identified *"an alarming fiscal forecast, that brings into serious question our ability to continue many of the programs and services that have contributed to our city's improved quality of life and economic renaissance."* We underscored that the budget practice of recent years had employed *"fiscal strategies to manage an ongoing structural deficit, including use of one-time revenue, unanticipated revenue windfalls, refinancing of debt, and internal fund transfers, while making significant enhancements without reductions."*

The call to action of last year's budget recommendations mandated that the City of Long Beach must dramatically, and permanently change our fiscal policies, outlining that, *"our current fiscal policy and budgeting approach is no longer an option and must change if this city is to stay fiscally solvent for the future."*

The following are the critical issues we identified last year:

- ❖ **We must change our overall fiscal policy and budgeting approach;**
- ❖ **We must not rely on the use of one-time revenue, unanticipated revenue windfalls, refinancing of debt, and internal fund transfers to subsidize ongoing or enhanced program costs;**
- ❖ **Our Emergency Reserve must be maintained at \$35 million, and must not be used as a one-time budget-balancing mechanism;**
- ❖ **An immediate-term fiscal strategy must be in place by the end of 2002;**
- ❖ **Cost-saving measures for FY 2002-2003 must be increased;**
- ❖ **3-Year Financial Strategic Plan needs to be developed.**

One of our key recommendations from last year was the reinstatement of the Mayor's Budget Advisory Committee. Ten citizens devoted hundreds of hours of time to formulate immediate and long-term recommendations, providing an independent perspective in addressing the City's fiscal crisis. These recommendations focused on revenue enhancements, expense reductions, and policy changes, many of which have been incorporated into the 3-Year Plan. We thank them for their service and contributions to the long-term viability of the City of Long Beach.

CALL TO ACTION – CITY'S RESPONSE

The following outlines in greater detail my recommendations of last year and highlight the progress that has been made:

<u>MAYOR'S 2002-2003 RECOMMENDATIONS</u>	
Mayor's Requested Action	City Action
<u>IMMEDIATE STRATEGIES</u>	
Mayor's Budget Advisory Committee (MBAC) to be Re-Instated	✓ MBAC reinstated, and presented immediate and long-term recommendations to the Council on January 28, 2003
Develop an Immediate-Term Fiscal Strategy - Provide a comprehensive fiscal strategy that reduces costs for FY2002-2003 and outline cost-saving measures and long-term strategies that balance the budget without the use of the City's Emergency Reserves	✓ - Hiring freeze instituted, generating 350 vacant positions - Purchasing "chill" established - Redeployment of public safety personnel from support positions to emergency response
2% budget savings increased to 3% City-wide	✓ - Cut increased to 3.5%, except for police and fire non-sworn @ 3% and no cuts to sworn
Review all City Manager Proposed Enhancements	✓ All enhancements reviewed fall 2002, with several programs reduced or eliminated
Review all recent-year enhancements for prioritization & possible cost-savings	✓ Management team reviewed all enhancements for last 5 years
Savings through Attrition	✓ Savings through attrition have been achieved, contributing to the FY03 carryover, as well as assists in the employee transition process
Discretionary Funds	✓ Eliminated, and programs they funded reviewed
Any Allocation of Potential Enhancements be accompanied by a corresponding reduction	✓ New Fiscal Policy defining a "Structurally Balanced Budget" will address this.
<u>LONG-TERM STRATEGIES</u>	
Implementation of Long Beach Plan	✓ City staff has developed a number of Performance Management Initiatives, including the "Long Beach Plan," creating an integrated approach to the planning, measuring and delivery of services. Staff will also be working with the City Auditor's office to align the budget process within this framework.
Revenue Enhancement – Continue to aggressively pursue all opportunities	✓ City staff is developing strategies to achieve a fair market rate of return on services and assets.
Long Term Fiscal Strategic Plan Developed	✓ City staff presented 3-Year Plan that has been adopted by the City Council, and which serves as the guiding strategy for the FY04 budget and all fiscal policies in the City.

FISCAL POLICIES 2003-2004

One of the most important recommendations of the City Manager's Proposed Budget is the identification of a clear and comprehensive set of fiscal policies, which would serve as the framework within which the City's financial planning and decisions are made. ***I wholeheartedly support the City Manager's recommended fiscal policies, and recommend that the City Council concur and adopt all the policies outlined.*** The following highlights some of these policies:

➤ ***Structurally Balanced Budget***

- ◆ Establishes a policy of adopting a balanced budget where ongoing revenues equal or exceed ongoing expenses, ensuring that the City does not spend beyond its means.

➤ ***Use of One-Time Revenues***

- ◆ Establishes a policy to limit these one-time monies to one-time expenses. This is a critical policy, and its implementation will help to prevent future structural deficits.

➤ ***Operations Reserve Funds***

- ◆ Establishes an Operations Reserve that would be developed, over time, to a 10% level. We commend this long-term strategy, which will allow the City to deal with a short-term financial crisis without resorting to the use of scarce reserve funds.

➤ ***Long-Term Financial Planning***

- ◆ Long-Term Financial Planning, including longer-range forecasts, is recommended in order to allow for a greater degree of strategic planning.

➤ ***Infrastructure and Facilities Maintenance Strategic Planning***

- ◆ The creation of Infrastructure and Facilities Maintenance Plans is a much-needed approach to strategic planning for our critical infrastructure and capital needs. Such a plan would identify need, priority and funding sources. For reference, ***I have supported the creation of such a strategic plan every year since 1996 (as noted below) and consider this a critical policy for the City.***

✓ ***It is recommended the City Council and City management begin development of a Public Infrastructure Strategic Plan.*** The objective is to identify community priorities and develop a plan to achieve them, similar to the Police Strategic Plan. Indeed, maintaining our public infrastructure is not only vital to strong neighborhoods and economic growth, but contributes greatly to the public's safety.

August 1996 -- Mayor's FY 1996-97 Budget Recommendations

➤ ***Debt Issuance & Management***

- ◆ Develops a policy on the appropriate use of debt, including blocking the use of debt to support ongoing programs and dissuade issuance of debt when dedicated, recurring revenues have not been identified for the repayment.

CITY MANAGER'S PROPOSALS 2003-2004

➤ **LONG RANGE PLANNING EFFORTS**

Under the direction of our new City Manager Gerald Miller, the City is wisely undertaking a comprehensive long-range planning process that will transform our organization into one ***“with more focus and greater resolve to plan our future in a proactive, rather than in a reactive fashion.”*** These long-range plans will integrate the goals and objectives of the Strategic Plan 2010 with fiscal policy, and will provide a roadmap for future funding, collaboration, and the efficient delivery of services. These include:

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| ▪ <i>Blueprint for the Arts</i> | ▪ <i>Fire Services Study</i> |
| ▪ <i>City Property/Space Needs Review</i> | ▪ <i>Homeless Service Assessment</i> |
| ▪ <i>Code Enforcement Review</i> | ▪ <i>Information Systems Master Plan</i> |
| ▪ <i>Compensation and Staffing Review</i> | ▪ <i>Natural Gas Pipeline System Review</i> |
| ▪ <i>Comprehensive Inventory of
Maintenance Requirements</i> | ▪ <i>Optimization and Reorganization
Reviews</i> |
| ▪ <i>Department Business Plans</i> | ▪ <i>Public Agency Partnering Review</i> |
| ▪ <i>Economic Development Strategic Plan</i> | ▪ <i>Workers' Compensation, Risk
Management and Occupational
Health programs Review</i> |
| ▪ <i>Facility Center Assessment</i> | |
| ▪ <i>Fire and Police Dispatch Review</i> | |

➤ **CITY MANAGER PROPOSED ENHANCEMENTS**

I support the City Manager's proposed enhancements, which have been identified either as priorities in the “Voice Your Choice” survey or as ongoing Mayor & Council priorities:

◆ ***Alley Repair***

A \$500,000 alley repair and upgrade program, that will target the most pressing alley repairs, will be funded with the Gasoline Tax and CDBG funds.

◆ ***Graffiti Abatement***

We know graffiti is a contributing factor to gang activity, and additional funding was identified as a priority in my recommendations last year. We support the \$200,000 funding increase allocated to bolster the City's graffiti abatement program.

◆ ***Project Development Bureau and Construction Regulation function***

The creation of the Project Development Bureau within Community Development will centralize the focus on large city development projects that are critical to the city's economic future. These projects include the 260-acre PacifiCenter, the 56-acre Sports Park, and a neighborhood park in North Long Beach. (Enhancement totals \$417,666 in the departments of Community Development and Planning & Building, which is offset.)

◆ ***New Planning Bureau Manager***

The need for a Planning Bureau manager is critical to our ability to coordinate planning functions and to improve responsiveness to the heavy demands imposed by private developers, the Planning Commission and the City Council. This will consolidate with the Environmental Services Officer. (Enhancement totals \$161,210 and is fully offset.)

➤ **CITY MANAGER'S NEW REVENUE / FEE ADJUSTMENTS**

The City Manager reports that FY04 projects increases in Property Tax revenue of \$2.6 million and Sales Tax revenue growth of \$1.9 million, among others. However, these increases are almost completely offset by the voter-approved reduction in the Utility Users Tax.

We support the efforts of the City to aggressively market the City through new, creative methods, such as advertising on City vehicles, and by identifying additional revenue sources, such as an increased return from the City's trash-to-energy plant.

Fee-related revenues proposed in the budget would generate approximately \$225,000 per year, including increases to preferential parking permits, after-hours towing release fees, implementation of a towing collections contract to recover unpaid fees, and hazardous materials education program fees. Modest increases are recommended in General Fund fees totaling \$2.8 million, which are necessary to avoid harmful cuts to core services. These include increases to the fire plan check function, parking citations, returned check fee, and recreation fee increases. An increased fee for providing natural gas services to fund necessary infrastructure and operating costs is proposed. This fee will be to recoup costs and is comparable with rates charged by Southern California Gas Company.

Recommend support of fee increases proposed by the City Manager.

MAYOR'S PROPOSALS 2003-2004

➤ **THREE-YEAR FINANCIAL STRATEGIC PLAN**

Last year, we asked City staff to develop a Three-Year Financial Strategic Plan to address the structural deficit. City staff's response to this direction has exceeded all expectations, resulting in a comprehensive approach that has addressed every facet of the City's fiscal and operational practices and has become an outstanding model for other cities.

The Three-year Plan required a comprehensive analysis of our core services and how each department delivers them. The intensive review has resulted in the City taking major strides in becoming a more effective and cost-efficient supplier of essential City services.

One of the unique features of this budget is that it represents a greater degree of input from our citizens than ever before and focuses on those services that were deemed most critical by our constituents in the Voice Your Choice survey. This includes public safety, infrastructure improvements, alley and graffiti abatement programs and continuing the city's economic development efforts.

In recent years, we have rightly placed a great deal of emphasis, and increased funding, on enhancing quality of life programs for our City, including recreation and after-school programs for our children and youth, senior services, much-needed enhancements to our libraries, homeless services, and support for the arts. While we must continue to focus on core services, programs that enhance our community's quality of life will be impacted.

The proposed budget is the first in the implementation of our Three-Year Plan, reducing the structural deficit by \$38.2 million. City staff has aggressively addressed functional consolidations within departments, management and administrative staff reductions, extended equipment replacement cycles and a number of other cost-saving measures. Specifically, budget reductions include:

- General Administration and Management reductions – over \$7 million in cuts, including elimination of 67 positions, over 20 of which are management.
- \$3.4 million in anticipated savings through negotiations with employee unions
- Cost-saving operational and organizational changes - \$5 million
- \$4 million in reduced materials & supplies, including a reduction of over 200 vehicles from the City fleet and through the extension of computer replacement cycles
- \$1 million in savings from contracting-in, contracting-out and service optimization
- \$680,000 in reductions in non-critical maintenance and infrastructure costs
- \$3.4 million in reductions to Police & Fire non-emergency support staff and reductions to Police overtime through redeployment to patrol
- Program reductions for libraries, arts, cultural and recreation programs, totaling \$1,892,000.

➤ **FISCAL PRIORITIES AND RECOMMENDATIONS 2003-2004**

◆ ***Contracting In, Cost Recovery and Contracting Out***

- Support continued exploration of marketing of City services to surrounding cities and other entities, as feasible and when full cost-recovery is attainable;
- Support evaluation of opportunities for contracting out services as an effective means of reducing costs without negatively impacting service levels.

◆ ***Workforce Development***

As the city strives to increase its commercial appeal to employers it is vital that we do everything we can to have an available and trained workforce. This includes professionals with college degrees, as well as technicians who have been properly trained and educated at vocational schools.

◆ ***Transient Occupancy Tax Increase***

Tourism is a key element of the City's economy, and will continue to be a significant engine for growth in the future. To meet this need, it is clear that increased funding is required. ***I support the evaluation of the placement of an initiative on the ballot to increase the Transient Occupancy Tax, with the allocation of this increase to be negotiated by the CVB and City staff.*** This increased cost will be borne solely by visitors to the City and is in line with what other jurisdictions are charging.

◆ ***Homeless Services***

The City of Long Beach is home to a growing homeless population, which has adverse affects on neighborhoods, parks and schools, and businesses. Conversely, the population provides challenges with how best to address their needs, with the desired outcome of providing hope and options.

◆ ***Youth Commission***

The creation of a citywide Youth Commission was a key objective of the Strategic Plan 2010 and was noted as an unfunded priority last year. We commend City staff for their creativity in developing a plan to create this critical commission within existing resources, and look forward to inaugurating this important oversight group in the coming months.

➤ **CITY COUNCIL PRIORITIES—2002-2003**

The City Council had identified the following programs as priorities in 2002-2003, all of which have been reviewed and many are being addressed at this time:

◆ **Additional Code Enforcement Teams**

Code Enforcement Teams have been found to be highly effective in dealing with neighborhood blight.

◆ **Park Ranger Expansion**

To increase public safety at park facilities.

◆ **Pocket Park Expansion**

The creation of additional open space in the city is a critical priority and one which has been further defined through the development of our Open Space Plan.

◆ **Youth Commission**

The creation of a citywide Youth Commission was a key objective of the Strategic Plan.

◆ **Monthly Alley Sweeping**

To assist with cleaning up neighborhoods and protecting our waterways, by preventing litter from entering our storm drains.

◆ **Homeless Service Assessment Study**

To address the complex issue of homeless and the services required, a Homeless Service Assessment Study will allow us to base decisions on data and proven practices.

◆ **Facility Center Assessment**

To explore the need for additional health and community service facilities in our city.

➤ **ELECTED OFFICIAL BUDGETS**

The City Council is to be commended for their efforts in reducing their office budgets for FY04, adding to a total of \$170,728 in reductions, or a 4.0 % reduction for the Legislative Department, as compared to the FY03 Adopted Budget. In addition, we commend the City Attorney and City Auditor for reducing their total budgets by 2.0% and 3.6% respectively, compared to their FY03 Adopted budgets, and the City Prosecutor's budget remained the same.

CONTINUING CITY NEEDS

➤ **TIDELANDS**

The immediate and long term needs of our beaches and waterways continue, including the capital projects that have been deferred for many years. The Harbor Department provides continued assistance in funding this important community asset through the 10% transfer.

➤ **POLICE**

The Long Beach Police Department is working hard to reduce crime, with overall crime down during the 2nd quarter of 2003 as compared to the same quarter in 2002, while reducing expenditures through overtime cuts, restructuring of service delivery methods, and redeployment of sworn officers.

➤ **CITYWIDE MARKETING**

The Voice Your Choice survey, as well as the Mayor's Budget Advisory Committee, strongly endorsed the need for enhanced City-wide Business Development and Marketing efforts in the City.

➤ **"BLUEPRINT FOR THE ARTS"**

Recognizing the importance of art and cultural programs to the quality of life in our City, and the impact the proposed reductions contained in the FY 04 Budget and the Three Year Plan will have to the arts, the "Blueprint for the Arts" will provide a roadmap that identifies an ongoing funding source to support the arts, recommend an appropriate allocation formula for those funds, as well as define the appropriate relationship between the City and the arts community.

➤ **AMERICANS WITH DISABILITIES ACT**

The City of Long Beach continues to lead the nation in our investment in the improvement of the accessibility of facilities, curb ramps and bus stops to the disabled community, and we recommend our continued support of these important improvements.

➤ **AFTER SCHOOL PROGRAMS**

It is vital that we continue to pay strict attention to after-school programs, so that our school-aged youth are productively engaged in various activities during those critical hours when the juvenile crime is highest. These programs need to continue to be a cooperative effort between the City, Long Beach Unified School District, and the various non-profit organizations in the City.

ADDITIONAL COMMENTS & RECOMMENDATIONS

➤ **HARBOR**

We commend the Board of Harbor Commissioners for their continuing support of the agreement that transfers 10% of the Ports net operating profit to help fund the Tidelands CIP.

➤ **WATER DEPARTMENT**

We commend the Board of Water Commissioners and the Long Beach Water Department for their responsiveness to City Management with regard to the development of the Three Year Plan and Proposed 04 Budget. The Water Commission has met with the City Manager and committed to being as supportive of the City as possible in looking at employee transition issues, approaches to cost reductions and other areas related to the Three Year Plan.

➤ **EMERGENCY OPERATIONS CENTER**

The City's new, state-of-the-art Emergency Operations Center will open for operation in the coming months. We welcome these new systems and the resulting enhanced security, assuring that our public safety needs can be managed at all times.

➤ **COLLABORATIVE EFFORTS**

We encourage City staff and our public/private partners, such as the Public Corporation for the Arts, Downtown Long Beach Associates, the Long Beach Chamber, Strategic Marketing, the Convention and Visitors Bureau, to continue to look for ways to collaborate with public and private organizations to enhance service delivery.

➤ **LIBRARY SERVICES**

Through the generous support of private industry and the efforts of the Library Foundation, we have been fortunate to be able to fund and staff a dozen Family Learning Centers. As budgets tighten and library funding becomes more vulnerable it is essential that we explore other opportunities to sustain the library system at the level that our citizens have come to expect.

➤ **LONG BEACH 710 FREEWAY**

One of the absolute imperatives that we will not lose sight of is the necessary improvements to the 710 freeway. We must continue our dialogue with all officials at the state and federal level to ensure that we are able to capture an appropriate level of funding to resolve the traffic congestion issue related to the Gerald Desmond Bridge and the 710 freeway. Without these critical improvements, our region will not be able to withstand the expected growth in global trade through our port. The city's guiding principles for renovation of the 710 will define our actions, including minimizing right of way acquisitions to preserve existing housing stock, reduce air pollution, minimize environmental impacts, improve safety, relieve congestion and support a comprehensive solution that involves the public.

➤ **ECONOMIC DEVELOPMENT STRATEGIC PLAN**

This plan will establish economic development strategies and identify assets, opportunities and actions for the City and the private sector to take.

➤ **INFRASTRUCTURE STRATEGIC PLAN**

The creation of an Infrastructure and Facilities Maintenance Strategic Plan is a much-needed approach to strategic planning for our critical infrastructure and capital needs. Such a plan would identify need, priority and funding sources.

➤ **OPERATIONS RESERVE**

Establishes an Operations Reserve that would be developed, over time, to a 10% level. This long-term strategy will allow the City to deal with a short-term financial crisis without resorting to the use of scarce reserve funds.

VISION FOR THE FUTURE

In preparing the 2003-2004 budget:

- The budget process has been public during the several months of preparation.
- There was a process that included the public through surveys and numerous community meetings.
- The Council has approved a fiscal plan prior to the budget being transmitted.
- Everything has been on the table.
- We are actively attempting to bring our expenditures in line with our revenues.

I'm glad and proud that we have a plan.

This three-year procedure will be a difficult task, which will in one way or another affect us all. This financial crisis is being felt by all cities in California. However, that doesn't make the next few years any easier because we are talking about our libraries, our programs, and our people. The City has met fiscal challenges before, especially during the middle 1990's when we lost our economic tax base with closure of the shipyard, the loss of the navy and the downsizing of aerospace.

The plan for a comeback at that time was for more revenue through more retail sales taxes staying in Long Beach, higher property values, and relying more on tourism, international trade, and encouraging more technology in Long Beach.

Our City has not been stagnant in the last few years. The early planning to diversify has happened. We are no longer totally dependent on one or two economic engines.

The future of our community is still filled with optimism and confidence. New residential units, new retail, more visitors, more sales opportunities, more attractions for residents and visitors to enjoy, have give our City a dynamism that leads us into the future.

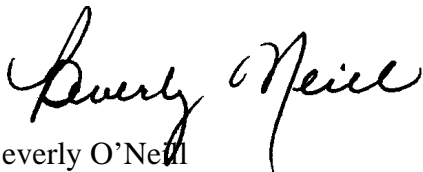
Working together we will get through these tough fiscal times. Our goals and objectives may be put on hold for a year or two, but they are achievable. We will still become the most highly sought after waterfront community in Southern California.

ACTION REQUESTED

It is respectfully requested that the City Council:

➤ **Approve the 2003-2004 Proposed Resource Allocation Plan, with the proposed amendments and recommendations:**

1. Support the City Manager's recommended Fiscal Policies;
2. Support the City Manager's proposed enhancements, which have been identified either as priorities in the "Voice Your Choice" survey or as ongoing Mayor & Council priorities;
3. Recommend support of fee increases proposed by the City Manager;
4. Support exploration of opportunities for revenue enhancement through contracting in, and for expense reduction through contracting out.
5. In order for the City to address our financial challenges and stay fiscally solvent, employee benefit costs cannot continue to be borne totally by the City.
6. Oppose the use of Emergency Reserves as a one-time budget balancing mechanism. I recommend that the City Council include this position in our Fiscal Policies.
7. Work with the League of California Cities to find ways to protect City funds from future State raids.
8. Support the evaluation of the placement of an initiative on the ballot to increase the Transient Occupancy Tax, with the allocation of this increase to be negotiated by the CVB and City staff.
9. Continue to consistently advocate federal and state agencies for additional funds, to pay for critical security systems and support to ensure the safety of our City.


Beverly O'Neill
MAYOR